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BY HAND DELIVERY

Honorable Vernon L. Williams
Surface Transportation Board
Case Control Unit
Attn: STB Ex Parte No. 582 (Sub-No. 1)
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Washington, D.C. 20423-0001

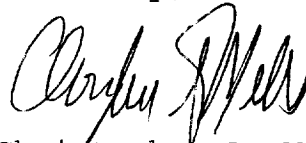
Re: Ex Parte No. 582 (Sub-No. 1),
Major Rail Consolidation Procedures

Dear Mr. Williams:

Enclosed for filing in the above-referenced proceeding are the original and 25 copies of the Reply Comments of Alliant Energy Corporation. Also enclosed is a 3.5-inch diskette containing the text of this document in WordPerfect format.

Please acknowledge receipt of the enclosed by stamping and returning to our messenger the enclosed duplicate of this letter.

Sincerely,



Christopher A. Mills

CAM/mfw
Enclosures

BEFORE THE
SURFACE TRANSPORTATION BOARD

MAJOR RAIL CONSOLIDATION
PROCEDURES

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Ex Parte No. 582 (Sub-No. 1)

REPLY COMMENTS OF ALLIANT ENERGY CORPORATION

Alliant Energy Corporation ("Alliant") submits the following reply comments in response to the comments filed by other parties pursuant to the Board's Advance Notice of Proposed Rulemaking ("ANPR") in this proceeding. Alliant is also participating in the reply comments of the Subscribing Coal Shippers, but is filing this separate reply to emphasize the need for changes in the Board's bottleneck rules in the context of rail merger and consolidation transactions.

In its ANPR, the Board recognized that major rail mergers can have anticompetitive impacts by converting three-carrier bottlenecks to two-carrier bottlenecks.¹ It indicated

¹ A three-carrier bottleneck exists where two carriers serve an origin (for example) and can compete for movements to an interchange point with a third, independent carrier, which exclusively serves the destination. A two-carrier bottleneck exists where one carrier serves both the origin and the destination, and another carrier can compete for a portion of the movement between the origin and an interchange point. As Alliant explained in its original Comments in this proceeding, its Columbia Energy Center near Portage, WI is presently subject to a three-carrier bottleneck and its Edgewater Generating Station at Sheboygan, WI is subject to a two-carrier bottleneck.

that it was considering the following rule changes to remedy this problem (see ANPR at 7-8):

- requiring merger applicants to offer, upon request, contracts for the competitive portion of joint-line routes when the joint-line partner has a bottleneck segment; and
- requiring merger applicants to provide a new through route at a reasonable interchange point whenever they control a bottleneck segment and the shipper has entered into a contract with another carrier for the competitive segment.

The Board stated that the first of these proposed rule changes is intended to address the problem that competitive-segment carriers may be unwilling to enter into contracts that would enable shippers to obtain bottleneck relief before the Board. The Board further stated that the second proposed rule change would permit shippers who have entered contracts with competitive-segment carriers to immediately seek bottleneck relief where a merger has converted a three-carrier bottleneck to a two-carrier bottleneck, without first having to make a showing of anti-competitive conduct under the Board's competitive access rules. (*Id.*)

Many of the parties who filed comments in this proceeding, including shippers and shipper associations, two government agencies, and even several Class 1 railroads, support the need for changes in the Board's bottleneck rules to remedy competitive problems resulting from mergers.² The shipper commenters,

² Most of the shipper parties state that because of prior major rail mergers the Board's bottleneck rules need revising regardless of the context.

including Alliant, support the second rule change quoted above but also advocate elimination of the "contract-first" requirement altogether because experience shows that duopolist rail carriers simply are unwilling to offer contracts for competitive-segment movements "on the come," i.e., in advance of completion of arrangements for movement over the bottleneck segment.

The U.S. Department of Transportation supports the Board's proposed bottleneck rule changes in concept but expresses reservations about the Board's jurisdiction to require merging competitive-segment carriers to enter into contracts with shippers for transportation over such segments.³ (USDOT Comments at 15-16.) The U.S. Department of Agriculture, while not mentioning bottlenecks specifically, advocates rule changes that would require merging railroads to offer proposals that enhance (rather than simply preserve) competition, as well as keep all existing gateways open, before approving any future major railroad consolidations. (USDA Comments at 14-16.)

Three of the major Class 1 railroads (BNSF, CN and UP) indicate in their comments that they support rule changes to preserve existing gateways and prevent changing three-carrier

³ As Alliant noted in its opening comments in this proceeding, the real problem goes beyond the jurisdictional question. There is no effective way for the Board to require competitive-segment rail carriers to offer competitive rates or other contract terms that would be acceptable to shippers. The railroads have no incentive to do so under the present regulatory scheme, with its "contract-first" requirement.

bottlenecks to two-carrier bottlenecks as a result of mergers -- that is, they support, at least in concept, the second rule change quoted above. (BNSF Comments at 25-27; CN Comments at 31; UP Comments at 11-14).⁴ UP's comments indicate that it "would go somewhat beyond merely preserving the exclusively served shipper's routing options" (*Id.* at 12), although it is unclear what UP means by this as its proposed rule changes appear designed only to preserve existing competitive options under the Board's present bottleneck rules -- something the Board can do anyway under its existing authority to impose competition-preserving conditions in approving rail mergers.

Alliant finds it encouraging that three of the large Class 1 railroads (including both of the major western carriers) have recognized that the Board's present bottleneck rules are problematic in the merger context. However, for the reasons stated in Alliant's opening comments, the Board should go one step further than the proposals in its ANPR: it should impose a condition eliminating altogether the "contract first" requirement whenever a merger would result in conversion of a three-carrier bottleneck into a two-carrier bottleneck.

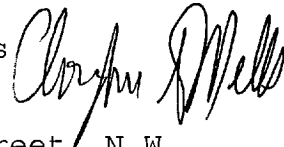
With this change, the bottleneck problem would be resolved for most captive shippers presently served by an inde-

⁴ CXT and NS, on the other hand, have dug in their heels and refuse to support any changes in the Board's present rules concerning the imposition of competitive conditions in approving major rail mergers.

pendent carrier at least in the context of the Board's approval of future major rail consolidation transactions.

Respectfully submitted,

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Dated: June 5, 2000

Attorneys for Alliant Energy
Corporation

CERTIFICATE OF SERVICE

I hereby certify that on this 5th day of June, 2000, I caused a copy of the foregoing Reply Comments to be served on all persons designated as a Party of Record or Member of Congress in the Board's decisions in this proceeding served April 28 and May 10, 2000, by first-class United States Mail.



Christopher A. Mills